

FISCAL NOTE

SB 2266 - HB 2267

January 31, 1998

SUMMARY OF BILL: Requires that: **1)** plans of service in newly annexed areas must be implemented within a certain time frame or tax revenues from the area must be refunded; and **2)** any situs-based tax, including beer tax, Hall Income Tax, and local option sales tax, would continue to be distributed to the county in the same amount as before the annexation or incorporation, with any *growth* in collections going to the newly formed municipality or the annexing municipality.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$91,625 One-Time
\$23,000 Recurring**

**Local Govt. Revenues - Forego / Exceeds \$100,000 / Permissive
Local Govt. Expenditures - Cost Avoidance / Exceeds \$100,000 / Permissive**

Assumes one additional position in the Department of Revenue at a recurring cost of \$23,000, with related one-time costs of \$6,500; also assumes one-time costs of \$85,125 for computer system changes.

Assumes that fewer annexations and incorporations will take place, since services must be provided in a more timely manner, requiring higher expenditures in the short term. In addition, it is estimated that fewer annexations will take place because tax collections will not be derived as quickly from the annexed area, making such expenditures more risky.

It should be noted that the fiscal impact to cities and counties would be significant to the extent that annexations or incorporations do occur, since situs-based taxes can be substantial. However, the provisions of this bill effect a shift in resources from one local government entity to another and do not create any increase or decrease in such resources in total.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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